



**OFFICE OF  
INSPECTOR GENERAL  
U.S. DEPARTMENT OF THE INTERIOR**

**REPORT OF INVESTIGATION**

<b>Case Title</b> <b>FALSIFICATION OF THIRD PARTY VERIFICATION INSPECTIONS IN GULF OF MEXICO</b>	<b>Case Number</b> <b>OI-OG-16-0260-I</b>
<b>Reporting Office</b> <b>Energy Investigations Unit</b>	<b>Report Date</b> <b>April 25, 2016</b>
<b>Report Subject</b> <b>Report of Investigation</b>	

**SYNOPSIS**

On January 26, 2016, the Office of Inspector General's Energy Investigations Unit initiated an investigation based on information received from the Bureau of Safety and Environmental Enforcement's Safety and Incident Investigations Division (SIID). SIID received a complaint alleging that Lloyd's Register North America, Inc. (Lloyds) conducted substandard independent third-party blowout preventer (BOP) verifications, which are mandated by Federal regulations. It was also alleged that Lloyds may have falsified BOP verifications.

To address the allegations, we interviewed [REDACTED] (b) (7)(C) [REDACTED], and [REDACTED] (b) (7)(C) [REDACTED] and (b) (7)(C) [REDACTED] employed by Lloyds. All of these individuals were also employees of West Engineering (West), which was acquired by Lloyds in 2012. We also reviewed BOP verification reports issued by Lloyds from October 2014 through January 2016.

Our investigation found that prior to its acquisition by Lloyds, West had completed the majority of BOP verifications conducted in the Gulf of Mexico (GOM) and was considered the premier BOP verification company in the area. West had conducted its BOP verifications in a manner that exceeded compliance standards, but after the acquisition, Lloyds lowered its verification standards to meet minimum requirements established by Federal regulations and the American Petroleum Institute (API). While this change caused concern, Lloyds remained compliant with the regulations, because the specific regulation requiring third-party BOP verifications only required that the company be "a licensed professional engineering firm," and did not require the application of specific standards when completing verifications.

<b>Reporting Official/Title</b> <b>(b) (7)(C) /Special Agent</b>	<b>Signature</b> Digitally signed.
<b>Approving Official/Title</b> <b>(b) (7)(C) /SAC</b>	<b>Signature</b> Digitally signed.

Authentication Number: DE67FCA57D9AD94F54B7F0D6AA6722ED

This document is the property of the Department of the Interior, Office of Inspector General (OIG), and may contain information that is protected from disclosure by law. Distribution and reproduction of this document is not authorized without the express written permission of the OIG.

We did not identify any instances where Lloyds falsified or misrepresented BOP verifications to the Government as alleged, and we did not uncover any instances in which Lloyds failed to meet the minimum requirements established within the regulations. We did, however, receive concerns regarding the technical competency of Lloyds' current management overseeing BOP verifications.

This investigative report will be provided to BSEE for administrative action as deemed appropriate. This investigation is closed, and no further investigative activity by this office on the matter is anticipated.

### DETAILS OF INVESTIGATION

On January 15, 2016, Energy Investigations Unit (EIU), Office of Inspector General (OIG), U.S. Department of the Interior (DOI) received information from [REDACTED] (b) (7)(C) [REDACTED] (b) (7)(C) Bureau of Safety and Environmental Enforcement (BSEE), DOI that she received a complaint from [REDACTED] (b) (7)(C) [REDACTED] (b) (7)(C) concerning the competency of recent Lloyds' personnel conducting the independent third-party BOP verifications in accordance with 30 CFR §250.416.

(b) (7)(C) , (b) (7)(C) Office of Incident Investigation, BSEE completed an Investigative Activity Report (IAR) outlining (b) (7)(C) allegations (**Attachment 1**). One such allegation was that "Operations groups were signing off on Statement of Fact which they were not authorized to do. Potentially manipulating the verification process."

Regarding this statement in his IAR, (b) (7)(C) stated that (b) (7)(C) did not provide any documentation or specific knowledge supporting his allegation that the persons signing the Statement of Fact, a process verification document, was not "authorized" to sign the document (**Attachment 2**). He said (b) (7)(C) made this allegation based upon (b) (7)(C) that the person did not possess the competency and qualifications to sign the document.

(b) (7)(C) acknowledged that the BSEE regulation that requires independent third-party verification of BOP related equipment (30 CFR 250.416) does not list specific requirements, expertise, or qualifications that an individual must possess in order to be authorized to sign verification documents. Rather, the regulation states the following:

The independent third-party in this section must be a technical classification society, or a licensed professional engineering firm, or a registered professional engineer capable of providing the verifications required under this part.

The regulation further requires that the licensed professional engineering firm must:

Include evidence that the registered professional engineer, or a technical classification society, or engineering firm you are using or its employees hold appropriate licenses to perform the verification in the appropriate jurisdiction, and evidence to demonstrate that the individual, society, or firm has the expertise and experience necessary to perform the required verifications.

As a result, an independent third-party verification firm, such as Lloyd's, attaches a Statement of Qualifications of the firm to its verification packet that is ultimately provided to BSEE. The Statement

of Qualifications, however, does not list specific names of those engineers authorized to sign verification documents.

In his IAR, (b) (7)(C) stated "Personnel were by-passing company procedures; potentially leading to false statements of company qualifications." In clarification, (b) (7)(C) said that (b) (7)(C) did not provide any specific evidence showing that Lloyds' personnel were by-passing company procedures. (b) (7)(C) did not know which procedures of Lloyds were allegedly by-passed, nor how they were by-passed. (b) (7)(C) further acknowledged that Lloyds could change its procedures anytime as long as altering those procedures did not affect their ability to perform their verification process under the regulations.

In his IAR, (b) (7)(C) wrote "New hires are very willing to satisfy the Operators instead of following the rules of the verification process." (b) (7)(C) explained that BSEE does not have specific "rules of the verification process," but rather he believes that (b) (7)(C) was referring to Lloyds' "rules of the verification process," of which (b) (7)(C) does not have any specific knowledge. (b) (7)(C) said that Lloyds should have specific procedures for their verification process, yet he has not personally reviewed Lloyds' procedures. (b) (7)(C) further added that (b) (7)(C) did not provide to him any specific information or evidence identifying an instance where Lloyds did not follow their own procedures.

(b) (7)(C) summarized by stating that he was unaware of any specific instances of Lloyds making a false statement to BSEE.

We interviewed (b) (7)(C) on January 19, 2016 (Attachment 3). (b) (7)(C) stated that (b) (7)(C)  
 (b) (7)(C)

According to (b) (7)(C) West worked with the government in order to ensure that West's third-party verification would comply with the new regulation.

Lloyds acquired West in April 2012 and, according to (b) (7)(C) at that time West was verifying approximately 80 percent of the offshore BOPs in the Gulf of Mexico. (b) (7)(C) initially West personnel operated as they had prior to the acquisition, including continuing to follow West's established inspection format. Eventually, however, (b) (7)(C) directed to report to Lloyds' operations division. (b) (7)(C)

(b) (7)(C) that the two top West engineers with experience and knowledge, (b) (7)(C) and (b) (7)(C) from Lloyds in (b) (7)(C), 2015, (b) (7)(C), in addition to being highly experienced professional engineers (PEs), (b) (7)(C) and (b) (7)(C) were the only Lloyds' signatories for the verification documents, due to the fact that they were certified PEs.

(b) (7)(C) that West/Lloyds still had several experienced "techies" that were very competent, yet they did not have signatory authority as PEs. The (b) (7)(C) were (b) (7)(C) and (b) (7)(C). (Agent's Note: According to the Texas Board of Professional Engineers, (b) (7)(C) was granted a (b) (7)(C) BOP Verification Packets on behalf of Lloyds since that date as a PE.)

(b) (7)(C), after (b) (7)(C) and (b) (7)(C), Lloyds hired (b) (7)(C) in (b) (7)(C) 2015 to (b) (7)(C) the verification process at Lloyds, but (b) (7)(C), and had no drilling or controls

experience. As a result, (b) (7)(C) was retained by Lloyds as a (b) (7)(C) so that he could continue to be the signatory on the verification documents.

(b) (7)(C) related that in August 2015, Lloyds hired (b) (7)(C), who was a PE, to be the (b) (7)(C) process at Lloyds. (*Agent's Note: According to the Texas Board of Professional Engineers,* (b) (7)(C) technical skills or his experience, and (b) (7)(C) to learned that (b) (7)(C) had been (b) (7)(C) and once BP learned that (b) (7)(C) was (b) (7)(C) for Lloyds, BP requested that their verification packets not be signed by (b) (7)(C)

In addition to the verification packets Lloyds completes for its customers for “between well inspections,” (b) (7)(C) that Lloyds also provides Statement of Facts (SOFs) for operators when issues arise with the BOP equipment during operations. (b) (7)(C) that SOFs act as expert, technical advice to the operators, which they can provide to the government to show that they consulted with a third-party expert concerning BOP equipment issues.

(b) (7)(C) technical knowledge by (b) (7)(C) verification documents that were to be reviewed by (b) (7)(C) and (b) (7)(C) in (b) (7)(C), which is a significant (b) (7)(C) because (b) (7)(C) and (b) (7)(C) are essentially the final “gatekeepers” that must assure the final product is accurate before it is issued. (b) (7)(C) that their failure to identify these “red flag” errors establish (b) (7)(C) and (b) (7)(C) lack of knowledge and understanding of the fundamentals involving BOP equipment. (b) (7)(C) the technical errors (b) (7)(C) the documents were ultimately issued by Lloyds.

(b) (7)(C) said that Lloyds (b) (7)(C) prior to (b) (7)(C) that Lloyds’ operations division, along with (b) (7)(C) and (b) (7)(C) were willing to grant operator’s requests for more lenient standards when verifying their BOP equipment. (b) (7)(C) that an operator asked that the BOP pressures be held/tested for only five minutes versus ten minutes, and Lloyds’ operations division granted this request. (b) (7)(C) that, prior to its acquisition by Lloyds, West would never lower its standards of verification if asked to do so by an operator because their independence as a third-party verifier would then be lost.

(b) (7)(C) where BOP equipment that was verified by (b) (7)(C) or (b) (7)(C) later failed in the field.

(b) (7)(C) that currently there are not any specific federal regulations that delineate minimum standards that must be followed by a third-party verification firm when verifying BOP equipment. Regulations only require that operators obtain an independent third-party verification of its BOP equipment from an engineering firm that has the proper licenses to perform the verification work. The firm must also provide a statement of qualifications identifying its expertise and experience to complete the verifications.

(b) (7)(C) Lloyds’ current verification process is far inferior to the standards West had established. (b) (7)(C) Lloyds’ current verification process supervisors/managers (b) (7)(C) and (b) (7)(C) do not possess the necessary technical skills and experience

related to BOP equipment, (b) (7)(C) that Lloyds now lowers their verification standards in order to accommodate operators' requests. (b) (7)(C), these two factors have resulted in Lloyds' lack of independence, and failure to have the necessary expertise and experience needed to fulfill the regulatory requirements for an independent third-party verifier.

On February 10, 2016, we interviewed (b) (7)(C) (b) (7)(C). He explained that West was in the drilling rig inspection business with its largest revenue stream stemming from its inspection of BOP equipment and systems. According to (b) (7)(C), had been performing BOP inspections for (b) (7)(C). Due to West's expertise and focus on BOP equipment, the company was known throughout industry as the premium BOP equipment inspection company.

After the Deepwater Horizon drilling rig exploded on April 20, 2010, West was highly sought after for its BOP expertise. (b) (7)(C) stated that, in fact, he was part of a team that worked with the government in assisting them in drafting the language for the regulation that would require an independent third party verification requirement for all BOPs in the Gulf of Mexico.

Once the verification regulation was promulgated, West reviewed their BOP equipment inspection checklist and determined which inspection items should be mandatory in order for West to issue a verification certificate. (b) (7)(C) explained that if BOP equipment they were inspecting failed one of the inspection items on West's mandatory checklist, West would refuse to issue a verification certificate. He said that most of the mandatory items on West's checklist were American Petroleum Institute (API) or manufacturer standards, but not all.

Following the government's issuance of the BOP verification regulation, West created a separate compliance group to track its verification process, which (b) (7)(C) that the purpose behind creating the compliance group was to have a separate "set of eyes" to oversee the verification process followed by its inspectors, which had a separate management chain than those providing non-verification BOP services.

According to (b) (7)(C) the verification regulation is very broad and does not define specific standards, processes or protocols that must be followed when verifying BOP equipment. Thus, each company that provides third-party verifications of BOP equipment is permitted to create its own processes and protocols. (b) (7)(C) that as long as the company is, according to the regulation, "a licensed professional engineering firm," the verification firm can follow any standards they wish in completing their verifications.

After Lloyds acquired West in April 2012, Lloyds initially allowed former West employees to carry on with their standard operations in verifying BOP equipment. (b) (7)(C) that West (b) (7)(C) (b) (7)(C) was (b) (7)(C) of the (b) (7)(C) (b) (7)(C), and another West (b) (7)(C) (b) (7)(C), was assigned as the (b) (7)(C) of the (b) (7)(C). A Lloyds' (b) (7)(C) named (b) (7)(C), however, was assigned as the (b) (7)(C) for the (b) (7)(C). Additionally, (b) (7)(C) from (b) (7)(C) also continued working for Lloyds' drilling division following the acquisition.

(b) (7)(C) said that (b) (7)(C) eventually (b) (7)(C). According to (b) (7)(C), he

learned that after he and the other former West executives retired, Lloyds altered the way West conducted their verification processes by significantly lowering their standards of verifications.

(b) (7)(C) overall impression is that Lloyds' current verification processes and protocols are far inferior to the verification services West previously provided prior to their acquisition by Lloyds. He expounded that he could say "without a doubt" that Lloyds' rollout of new procedures after acquiring West was "horrible." He noted as an example how Lloyds rolled out new verification procedures, yet the technical staff were unfamiliar with the new procedures weeks after they were rolled out. In other words, the technical staff were not consulted about the procedures, nor were they adequately informed about those new processes, yet they were the experts performing the work in the field.

According to (b) (7)(C) he attempted to retain West's procedures and protocols while he remained as an (b) (7)(C) with Lloyds, yet he learned that Lloyds altered the reporting structure after he (b) (7)(C) which resulted in the technical personnel, who were the experts in the BOP equipment, reporting to operations personnel, who were not experts in BOP equipment.

(b) (7)(C) said that the verification regulation only requires that the company/firm be a licensed professional engineering firm, but does not require that a professional engineer (PE) actually sign a verification packet. He explained that therefore it is not "technically" required for a PE to sign a verification packet, yet West had always tried to ensure a PE would sign verification packets before it was acquired by Lloyds.

In order to highlight a flaw of the current verification regulation, (b) (7)(C) described a situation (b) (7)(C) (b) (7)(C) works on elevators and has no real hands on experience with BOP systems, yet (b) (7)(C) by a third party BOP verification firm if the person who is hiring him does not personally have BOP system knowledge. Accordingly, an engineer with the credentials that meet the bare minimum of the regulation, could be hired to conduct the verification of a BOP system, yet the person does not possess the technical expertise to competently do so.

We interviewed (b) (7)(C), (b) (7)(C), (b) (7)(C), on February 10, 2016 (Attachment 5).

(b) (7)(C) Similar to (b) (7)(C) that after the Deepwater Horizon drilling rig exploded the government promulgated regulations requiring BOP equipment/systems to be certified by an independent third-party verification firm. West conducted a very rigorous review of their BOP equipment checklist and created a shorter list of mandatory items that needed to be reviewed in order to meet the intent of the regulation. He said that if any of the mandatory items on the checklist were not working properly in a BOP system that West inspected, which could not be resolved, West would refuse to issue a verification certificate. (b) (7)(C) that West would not negotiate with a customer about their verification process unless the matter for negotiation concerned a trivial matter, such a "missing piece of paper," which West would still require prior to future verifications.

(b) (7)(C) that one way in which West ensured their verification processes and protocols met the intent of the verification regulation would be to ensure that all verification packets were reviewed and signed by a PE that understood exactly what they were reviewing and signing. (b) (7)(C)

(b) (7)(C) a verification packet that (b) (7)(C) (b) (7)(C) (b) (7)(C) had any misgivings about "whatsoever." (b) (7)(C) (b) (7)(C) one of their assessments

(b) (7)(C), as the regulation is currently written, as long as the firm issuing the verification packet is a licensed professional engineering firm, anyone working for the firm can sign a verification packet. He explained that West did not have any attorneys on staff, yet they believed that a PE needed to sign the verification packets. He said that Lloyds' lawyers also agreed that this should be a requirement. Accordingly, when (b) (7)(C)

(b) (7)(C) so that he could sign verification packets because they did not have another PE working for them that could sign the verifications. (b) (7)(C) said that (b) (7)(C) (b) (7)(C).

(b) (7)(C) that an engineer that had worked for West, and now works for Lloyds, named (b) (7)(C) had been working towards obtaining his PE during this time period and eventually became a PE. (b) (7)(C) described (b) (7)(C) as a solid technical "controls expert" who understood the responsibility of signing a verification packet.

(b) (7)(C), he had heard rumors that Lloyds' personnel were anxious for him to (b) (7)(C). He said that these rumors were apparently true because (b) (7)(C), he learned that Lloyds changed the signature requirement to allow for non-technical managers to override technical personnel and sign verification packets, even though the technical staff may have misgivings about a BOP system.

According to (b) (7)(C) West went beyond what the strictest reading of the regulation required in verifying the BOP systems they inspected. Lloyds, however, (b) (7)(C) (b) (7)(C), has lowered these verification standards to the bare minimum requirements under the law.

(b) (7)(C) that Lloyds hired (b) (7)(C) surrounding their verification processes; (b) (7)(C) . Lloyds then hired (b) (7)(C) yet (b) (7)(C) has heard that (b) (7)(C) is not an (b) (7)(C) . Therefore, even though (b) (7)(C) and can sign verification packets under Lloyds' protocols, he has to rely on the technical experts that are performing the work under him. (b) (7)(C) explained how this is a very different model than how West operated wherein the PEs and top executives were all BOP experts themselves. (b) (7)(C) said that he finds Lloyds' current model of having a non-BOP expert, (b) (7)(C), signing verification packets that he does not technically understand, unacceptable. (b) (7)(C) noted that this approach is probably legal by the letter of the law, but he personally would never sign a verification packet that he did not technically understand.

(b) (7)(C), he had heard of situations where a non-technical manager in Lloyds would sign a document that a technical engineer refused to sign because a "customer needed it," and Lloyds was in the business of "taking care of the customer." He believes that this type of customer "accommodation" is not living up to the intent/spirit of the law, which as he articulated before, was to ensure another Deepwater Horizon explosion does not happen again. (b) (7)(C) does not agree with such an approach.

(b) (7)(C) a situation where Lloyds (b) (7)(C) (because business was slow with that division), who had no BOP experience, in BOP systems and equipment in "a couple of weeks" so that the PE could start signing verification packets. (b) (7)(C) said that (b) (7)(C) Lloyds that it takes multiple years of working with BOP systems to gain the adequate experience necessary to understand their technical aspects and become a technical expert.

(b) (7)(C) bottom line observation of the transition from the BOP verification services provided by West

prior to their acquisition by Lloyds, to the verification services currently being provided by Lloyds, is that he believes the verification process has reverted to a business being run by accountants versus technical experts, and accountants are not capable of understanding the intent/spirit behind the verification regulation.

We reviewed Lloyds' BOP Stack Certifications and Shear Verification packets that were submitted to BSEE in support of 28 separate applications to drill new or sidetracked wells (**Attachment 6**). The packets were issued by Lloyds during the date range of October 2014 through January 2016, and were issued in order to comply with 30 CFR 250.416.

A review of the BOP Stack Certification and Shear Verification packets identified that (b) (7)(C) (b) (7)(C) [REDACTED]. Following this date, all of the packets were signed by certified PEs (b) (7)(C), with the exception of the Shear Verification packet for the West Capricorn rig, Hopkins 2 well, which was issued by Lloyds on November 6, 2015 in support of BP Exploration & Production, Inc.'s Application for Sidetrack submitted to BSEE. This Shear Verification Packet was signed by (b) (7)(C) (*Agent's Note: Hoefer is not a PE, yet regulations do not require the packets to be signed by a PE*).

We interviewed [REDACTED] (b) (7)(C) (b) (7)(C) [REDACTED], Lloyds, on April 4, 2016 (**Attachment 7**).

(b) (7)(C), West's background and expertise in BOPs put them into the position of being the preeminent firm to conduct the independent third party verifications that were mandated by the government after the Deepwater Horizon incident in 2010.

(b) (7)(C), initially, following Lloyds' acquisition of West in April 2012, business continued as usual for West until the West employees were moved into the same location as the other Lloyds employees. Following this move and the retirement of top West managers, including (b) (7)(C), Lloyds' managers started altering the way West had conducted their third party verifications by lowering the standards West had maintained in the past.

As an example of how Lloyds lowered the standards of the verifications that West had established, (b) (7)(C), where Lloyds' operations division overrode West's technical experts. He explained how, based upon their vast experience and technical knowledge, West had learned that pressure tests for BOPs should be conducted for ten minutes in order ensure there were no small leaks in the system that might not show themselves in a test that is only five minutes long. According to (b) (7)(C) however, API standards and BSEE requires only a five minute test. Based upon these minimum requirements, Lloyds' operations division decided to override West's technical personnel and concede to their customers' requests that they only conduct the BOP pressure test for five minutes.

(b) (7)(C), this minimum-requirement-approach has resulted in several "startup companies" entering the market for providing third party verifications, which have very little overhead (and expertise), but follow the minimum standards required in the regulations to issue the verifications. They offer to perform the verifications for less than Lloyds, and are slowly taking away Lloyds' share of the verification market. (b) (7)(C) how this situation could result in a situation where if something goes wrong with a BOP and a large incident occurs, the startup company may not have the financial resources to pay for the resulting damage.

**(b) (7)(C)** recent example of how low government standards regarding the third party verifications has resulted in unsafe circumstances. **(b) (7)(C)** Lloyds, through West's technical division, refused to sign off on a BOP "hop" from one well to another well without having the BOP taken out of the water for inspection. He explained that they were requiring this out-of-water inspection because they had learned through their many years of experience that BOPs could potentially be damaged by its previous use. The customer, however, protested to this requirement and sought a verification from another third party verification company, which provided the verification to the customer without ever having seen or inspected the BOP.

(b) (7)(C) West's standards for their verifications went "above and beyond," which was appreciated by their customers. He believes that the West technical staff were able to explain to their customers why their high standards for verifications were advantageous to the customer, including the lack of downtime with their equipment. In contrast, however, (b) (7)(C) operations division personnel of Lloyds are not technically competent to explain the work that is being performed to their customers. (b) (7)(C), if the customer cannot be told why they should prefer a higher level of service, they naturally will only want the minimum requirements that are necessary for them to obtain approval to operate in the Gulf.

(b) (7)(C) not aware of any instance where Lloyds made a false statement regarding a verification. (b) (7)(C) Lloyds has ever violated a federal regulation, but rather they have made the business decision to meet only the bare minimum requirements of the government, and not go above or beyond those requirements. (b) (7)(C) Lloyds' managers state that "unless it is a BSEE requirement, we're not going to do it."

(b) (7)(C) Lloyds' managers in charge of the verification process are technically incompetent. (b) (7)(C), Lloyds' current managers overseeing the verification process cannot "describe" the technical expertise, much less "define" the technical expertise. (b) (7)(C) (b) (7)(B) that one PE that is signing BOP verifications on behalf of Lloyds, (b) (7)(A) does not understand the technical material in the documents (b) (7)(C).

On April 4, 2016, we interviewed [REDACTED] (b) (7)(C),  
Lloyds. (b) (7)(C) (b) (7)(C), [REDACTED] (b) (7)(C),  
(b) (7)(C) (Attachment 8). He (b) (7)(C) (b) (7)(C),  
West hired him because they wanted an (b) (7)(C) three BOP manufacturers (Cameron,  
Hydril and Shaffer). West (b) (7)(C) because he was a (b) (7)(C)

(b) (7)(C) that West approached their new obligation to satisfy the government regulations requiring an expert third party verification of BOPs very seriously, and therefore used their extensive experience and technical expertise to create a program that went far beyond the bare minimum regulatory requirements for verifying BOPs. He explained that West operated by applying very high standards to their verifications because they now viewed their obligation beyond simply satisfying a client, but rather they were now responsible for ensuring safety on behalf of the government. In other words, they took the most extensive measures they deemed necessary to ensure technical efficiency and safety.

(b) (7)(C) , West operated in this fashion until they were acquired by Lloyds in April 2012.

(b) (7)(C) who signed verifications on behalf of the company. (b) (7)(C) that it had always been a West policy that a PE would sign the third party BOP verifications and Lloyds continued this policy requirement, even though the BSEE

regulations do not require a PE's signature on the verifications. (b) (7)(C) that based upon the (b) (7)(C), Lloyds (b) (7)(C), and also requested (b) (7)(C) to become a PE. (b) (7)(C) decided to take the PE examination and became a PE in (b) (7)(C) 2015.

Similar to (b) (7)(C) that after (b) (7)(C) and Lloyds' operations division began overseeing the technical personnel, some clients of Lloyds start "pushing back" on West's policy of conducting pressure tests for BOPs for ten minutes. He explained how, based upon the minimum requirements under API standards and BSEE regulations, Lloyds' operations division decided to override West's technical personnel and concede to their customers' requests that they only conduct the BOP pressure test for five minutes. (b) (7)(C) to this approach and (b) (7)(C) any BOP verification that did not conduct a ten minute pressure test.

(b) (7)(C) on BOP verifications that conducted only five minute tests created a "big stink" with Lloyds' upper management. He said that Lloyds' management tried talking (b) (7)(C) with the five minute tests and even (b) (7)(C) so. In response, (b) (7)(C) that he told Lloyds that, based on his extensive experience and expertise in testing BOPs, he believed it to be absolutely necessary to conduct a ten minute pressure test in order to ensure the BOP did not have any small leaks, and therefore Lloyds would need to fire him before he signed a BOP verification that only conducted a five minute pressure test. (b) (7)(C), Lloyds (b) (7)(C) and (b) (7)(C), but (b) (7)(C).

(b) (7)(C) BOP verifications that conducted only a five minute pressure test became a difficult situation for Lloyds with respect to one particular customer, BP. (b) (7)(C) (b) (7)(C) the other PE for Lloyds. (b) (7)(C) Lloyds and (b) (7)(C) (b) (7)(C) that obtained his PE based on an old provision in (b) (7)(C) wherein an applicant could obtain their PE license as long as they had (b) (7)(C) that under this provision, which was repealed in 1993, (b) (7)(C) that is now required in order to prove competence as a PE. In addition to learning why (b) (7)(C) and the fact that (b) (7)(C) never actually took and passed the (b) (7)(C) said that he has seen firsthand – in working with (b) (7)(C) – that (b) (7)(C) is not a competent (b) (7)(C).

Given the fact that (b) (7)(C), and thus is aware of his (b) (7)(C) instructed Lloyds that they would not accept any BOP verification that was signed by (b) (7)(C). This scenario resulted in Lloyds having to tell BP that they would need to conduct a ten minute pressure test on their BOPs because (b) (7)(C)

that BP conducted their own research on the matter and came back to Lloyds and said that they (BP) agreed that a ten minute pressure test needed to be conducted in order to ensure the BOP's safe functioning.

(b) (7)(C) that he was not aware of any instance where Lloyds falsely represented a verification, or any other technical certification that they knew would be provided to the government. (b) (7)(C) (b) (7)(C) Lloyds has ever violated a federal regulation, but rather they have made the business decision to meet only the bare minimum requirements of the government, and to not go above or beyond those requirements.

(b) (7)(C) Lloyds' managers in charge of the verification process are technically

incompetent. (b) (7)(C), however, there are several non-manager, former West technical experts that do work for Lloyds that he trusts and knows to be competent. Thus, as long as (b) (7)(C) knows these technical experts performed the testing for a BOP verification, and (b) (7)(C) (b) (7)(C), he feels comfortable (b) (7)(C) Lloyds.

**SUBJECT(S)**

Lloyd's Register North America, Inc.  
1330 Enclave Parkway, Suite 200  
Houston, TX 77077

**DISPOSITION**

This investigative report will be provided to BSEE for administrative action as deemed appropriate. Additionally, a copy of this report will be provided to OIG's Energy Audit Unit for consideration in future planning.

**ATTACHMENTS**

1. Investigative Activity Report – (b) (7)(C), BSEE Complaint, undated
2. Investigative Activity Report – Interview of (b) (7)(C), dated February 1, 2016
3. Investigative Activity Report – Interview of (b) (7)(C), dated January 19, 2016
4. Investigative Activity Report – Interview of (b) (7)(C), dated February 10, 2016
5. Investigative Activity Report – Interview of (b) (7)(C), dated February 10, 2016
6. Investigative Activity Report – Review of Lloyd's Registry Energy Verification Packets submitted to BSEE, dated February 26, 2016
7. Investigative Activity Report – Interview of (b) (7)(C), dated April 4, 2016
8. Investigative Activity Report – Interview of (b) (7)(C), dated April 4, 2016